Perpetuating the Common Vision of Family Business

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FAMILY BUSINESSES GENERATE between half and two-thirds of our nation's GDP, represent up to 80 percent of U.S. businesses, and create up to 85 percent of new jobs.

Family businesses are ubiquitous, and are also often short-lived. Only 30 percent survive into the second generation, 12 percent into the third and only about three percent into subsequent generations.

Having worked with thousands of family businesses over the course of our 69 year history, we have seen many weather struggles and flourish, but we have also seen family businesses fail, at a cost far greater than just dollars and cents.

From our perspective, the intentional management of three critical elements differentiates successful family businesses:

1. Keep the DNA at the Forefront of the Family Business

Healthy family enterprises have a clear sense of their DNA, or the fundamental reasons for why they are in business. Generally, the DNA can be articulated along three dimensions:

Family legacy constitutes the drivers behind why the family is in business and what types of relationships they want to have. What are our values? What is our mission or purpose in the business?

Family goals define the relationship between the family and the business. How do we as a family want to be involved in the business? How do we want to integrate future generations into the business?

Business goals, finally, articulate the family's aspirations for the business itself. What role do we want the business to play in its industry? How much do we want the business to grow?

The DNA establishes the playing field for the family business and serves as a primary filter for all business decisions. It can help de-personalize tough decisions, and can serve as a compass during challenging times. Successful family businesses ensure that their DNA is ever-present.

2. Keep a Pulse on the Bi-Cycle

All businesses are subject to business cycles. We define this in terms of the life stage of the business itself and in terms of macro dynamics. Family businesses are subject to a second type of cyclicality: family life cycles, which account for family members' life stages and generational transitions.

We call the interplay between these two cycles the bi-cycle. The bi-cycle makes managing the family business an incredibly challenging and dynamic endeavor. In our experience, families that have intentional conversations about their bi-cycle make better decisions, and preserve family harmony more effectively.

3. Manage to Multiple Bottom Lines

It would be so simple if family businesses could just turn to the "hard" metrics—financial and operational—and "soft" metrics—talent-related, organization-related and community-related--to monitor performance and company health. But they can't.

Successful family owned businesses manage to multiple bottom lines. In addition to the traditional metrics employed by other businesses, they set and monitor metrics related to governance and wealth and estate planning like transfer of ownership, for example. These types of measures can ensure that the family's long-term interests are kept at the forefront, and drive accountability for actually implementing these critical decisions.

So, how do you incorporate these elements into your business? Oftentimes, these conversations are best facilitated by a trusted advisor who can privately and objectively poll family members for their own goals and beliefs, facilitate family members through some of the more delicate conversations, and help them explore the financial and family implications of their choices.

Not the type of stuff you'd expect from a couple of CPAs? For us, it's not about the numbers. It's about finding a common vision for families and helping them achieve it—together.